

Message Text

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: EMPLOYMENT SUBSIDY SCHEME ANNOUNCED

1. EMPLOYMENT SECRETARY MICHAEL FOOT ANNOUNCED A NEW SCHEME TO STEM RISING UNEMPLOYMENT. IT WOULD PROVIDE SHORT TERM SUBSIDIES TO EMPLOYERS IN ECONOMICALLY DE-PRESSED REGIONS WHO WOULD OTHERWISE HAVE GONE THROUGH WITH PLANNED LAYOFFS. THE INTENT OF THE PROGRAM IS TO INSULATE QUALIFYING FIRMS FROM THE WORST EFFECTS OF THE RECESSION WITH THE HOPE THAT THE ANTICIPATED ECONOMIC RECOVERY WOULD ELIMINATE THE NEED FOR CONTINUING THE SUBSIDY.

2. THE FIRM WOULD RECEIVE A SUBSIDY OF 10 POUNDS PER WEEK PER EMPLOYEE NOT DISMISSED FOR A PERIOD OF THREE MONTHS WHICH COULD BE EXTENDED FOR AN ADDITIONAL THREE MONTHS. IT IS ESTIMATED THAT IF 25 PERCENT OF THE ELIGIBLE FIRMS APPLY AND RECEIVE THE SUBSIDY, BETWEEN THIRTY AND FORTY THOUSAND WORKERS WOULD BENEFIT AT A COST TO THE GOVERNMENT OF 8 TO 9 MILLION POUNDS. FOOT SAID THAT THERE WOULD BE A
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REVIEW OF THE PROGRAM NEXT SPRING, BUT THAT THERE WAS NO

INTENTION TO EXTEND IT BEYOND A YEAR.

3. IN A RADIO INTERVIEW, CBI HEAD CAMPBELL ADAMSON RE-
ACTED NEGATIVELY TO THE PROPOSAL STATING THAT GOVERNMENT
RESOURCES WOULD BE BETTER SPENT ON JOB TRAINING PROGRAMS.
IN HIS VIEW THE SUBSIDY WOULD ENCOURAGE THE CONTINUATION
OF PRODUCTION INEFFICIENCIES.

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4. COMMENT: THIS INITIATIVE MUST BE SEEN IN LIGHT
OF THE GOVERNMENT'S DESIRE TO MAINTAIN AS HIGH A LEVEL OF
EMPLOYMENT AS POSSIBLE, AND TO SHOW PUBLICLY ITS CONCERN
TO PREVENT UNEMPLOYMENT WHICH CAN BE CONSIDERED AS SHORT
TERM OR CYCLICAL. IT SHOULD ALSO BE REGARDED AS A RATHER
INEXPENSIVE SOP BY THE PRIME MINISTER TO THE LABOR LEFT
WING TO REDUCE THEIR RESENTMENT ARISING FROM THE GOVERN-
MENT'S ANTI-INFLATION PAPER. CLEARLY EVEN IF FOOT'S EX-
PECTATIONS OF THIRTYOR FORTY THOUSAND BENEFICIARIES WERE
BORNE OUT, THE SUBSIDY PROGRAM WOULD MAKE ONLY THE SMAL-
LEST DENT IN AN UNEMPLOYMENT TOTAL EXPECTED TO REACH 1.2
TO 1.5 MILLION BY NEXT SPRING.

RICHARDSON

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